Methodist Healthcare Ministries
OF SOUTH TEXAS, INC.
"Serving Humanity to Honor God"

House Select Committee on Statewide Health Care Costs

Interim Charge 1

A brief background on Methodist Healthcare Ministries. We are a private, faith-based, 501(c)3 not-for-profit organization dedicated to increasing access to health care for uninsured and low-income Texas families through direct clinical services, community partnerships and strategic grant-making in 74 counties spanning the Rio Grande Valley and South Texas. Created in 1995, we are a half owner of 10 Methodist Hospitals in Bexar County and South Texas. Through our partnership with HCA Healthcare, Methodist Healthcare Ministries provides the local governance for the Methodist Healthcare System to ensure that the healthcare needs of the community are served.

An Examination and Comprehensive Review of Primary Drivers of Increased Health Care Costs

Health care costs are one of the largest line items included in the Texas state budget[i]. Texas is by no means an outlier in this regard, rather it is reflective of a greater national problem. In 2018, the United States' national health expenditure grew by 4.6% to $3.6 trillion – or $11,172 per American – and accounted for 17.7% of the nation's Gross Domestic Product (GDP).[ii] Unfortunately, this great expense has not resulted in better health care outcomes and quality.[iii]

Increased spending on health care is not sustainable nor is it a feasible solution, especially during the current economic climate brought on by the COVID-19 pandemic. Innovative approaches and solutions are needed to ensure access and quality of health care in Texas.

A comprehensive and extensive investigation on U.S. health care spending identified the following 13 key drivers of high and rising costs:

Fee-for-service reimbursement (FFS) models incentivize healthcare providers to perform high volumes of tests and services regardless of whether they are an effective or appropriate treatment. FFS does not reimburse care services that are crucial in managing serious illnesses, including chronic diseases such as diabetes. Such services include patient education and coordination of care with other providers. This payment model also stifles innovation in health care, as providers are unable to shift to other delivery models that utilize telecommunication technologies to expand access and continuum of care.

Fragmentation of care delivery results in healthcare providers being paid based on patient volume rather than health outcomes. Healthcare providers should not be forced to make the choice between taking time to counsel their patients to improve their health and keep their doors open.

Administrative burdens resulting from complex payment systems and care delivery drive up costs by requiring healthcare providers to focus their valuable time on filling out paperwork and dealing with insurance companies instead of taking care of their patients.

Population care needs drive up healthcare costs, especially in **aging populations**. **Chronic disease** further increases costs as individuals with such ailments represent a disproportionate percentage of overall health spending.

Advances in medical technology have resulted in increased longevity and quality of life, however, if such advantages encourage unnecessary utilization of expensive treatments, costs will continue to rise.

Insurance designs such as the **tax treatment of health insurance** in the case of employer-sponsored health insurance (ESI) results in regressive subsidization of patients with higher incomes than those with lower. **Care utilization** also has an impact on cost. However, decreased rates of utilization have resulted from economic downturns, as individuals are forced to make necessary spending cuts even when it is for something as important as healthcare.

The **lack of cost** and **quality transparency** also drives up healthcare costs in that there is a limited consensus on standards of care. Without such information being readily made available, patients and their providers are unable to utilize the most effective and cost-efficient treatments.

Cultural biases in American culture leads patients to overvalue more and prolonged care even if it isn't effective. Without institutional and educational practices in place, both patients and providers will be unable to make more responsible choices regarding the consumption of health care.

Market imbalances caused by regional variations do not encourage high price limitations. Simply put, if there is only one provider in your area, you have no other options. Shortages in healthcare providers only exacerbate this issue, and individuals in rural areas are limited even further.

Provider consolidation improves the delivery of care, but research suggests that consolidation has resulted in increased costs due to misuse.

Insurance industry consolidation also leaves individuals with less options and less opportunity to source competitive prices for health insurance coverage.

The **unit prices** for health services in the US are higher, which translates to higher health care spending.

Legal barriers, **medical malpractice**, **fraud and abuse** are also key drivers of healthcare costs.

Restricting scope of practice for providers such as nurse practitioners, results in a wasted opportunity to take advantage of lower provider costs. By limiting providers, **health care workforce shortages** will continue to be an issue in cost. Especially given the **high ratio of specialty care** providers in the U.S.

Decreased access to care results in patients seeking treatment from high-cost providers such as hospital emergency rooms.

The utilization and expansion of telehealth services would address many if not all of these primary drivers of cost.

Recommendation

Telehealth utilization expansion is both a short- and long-term solution to health care costs and Access. Telehealth access expansion is not a new idea and has been increasingly championed by policymakers as a method to cut healthcare costs and extend care into rural and remote areas.[iv]

In addition to expanding access to care, telehealth services have been vital in the continuum of care during the ongoing COVID-19 pandemic. Texas Health and Human Services Commission (HHSC) has continually received reports from providers and organizations that utilization for services related to mental and behavioral health have increased beyond pre-COVID-19 rates.

The emergency utilization and flexibilities granted to healthcare providers during the pandemic by Governor Abbott and HHSC are currently temporary and will expire on October 23, 2020. Without the continuation of these flexibilities, the positive impact of telehealth will not last. Nor will they be able to part of the solution when it comes to Texas' high health care costs.

State leadership should take legislative action to ensure that current reimbursement flexibilities for telehealth services, established in response to the COVID-19 pandemic, become permanent healthcare policy.

By ensuring telehealth remains accessible, primary barriers to access to care and drivers of increased costs may be eliminated. Savings to the state may then be free to be reinvested into projects related to economic resiliency, infrastructure, and community development that benefit all Texans.

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[i] https://comptroller.texas.gov/economy/fiscal-notes/2017/march/health-care.php

[ii] "NHE Fact Sheet." *CMS*, 24 Mar. 2020, www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.

[iii] Ellen Nolte and C. Martin McKee, et al. "In Amenable Mortality-Deaths Avoidable Through Health Care-Progress In The US Lags That Of Three European Countries." *Health Affairs*, 1 Sept. 2012, www.healthaffairs.org/doi/full/10.1377/hlthaff.2011.0851.

[iv] Innovations, Care. *Policymakers: Broadband Funding Key to Bringing Telehealth Access to Rural Areas*, news.careinnovations.com/blog/policymakers-broadband-funding-key-to-bringing-telehealth-access-to-rural-areas.